

R D S

Retiree Drug Subsidy

Plan Sponsor Application Instructions



CENTERS FOR MEDICARE & MEDICAID SERVICES

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R D S Application Instructions

Overview

The Medicare Retiree Drug Subsidy (R D S) program represents a particularly important strengthening of health care coverage for Medicare-eligible retirees. The retiree drug subsidy is designed to encourage employers and unions to continue providing high quality prescription drug coverage. It has highly flexible rules that permit employers and unions to continue providing drug coverage to their Medicare-eligible retirees at a lower cost while retaining their current plan designs that are at least equivalent to the value of the defined standard Part D drug benefit. The retiree drug subsidy will pay 28 percent of the retiree's drug costs (as defined by the regulation) between \$250 and \$5000 in 2006. The payments are tax-free, which increases their value to Plan Sponsors that are subject to taxation. To qualify for the subsidy, the Plan Sponsor must show that its coverage is as generous as, or more generous than, defined standard coverage under the new Medicare prescription drug benefit. The final regulation includes a two-part test for Plan Sponsors to determine whether this standard, referred to as "actuarial equivalence," has been met. The subsidy only applies to retirees eligible for but not enrolled in a Part D plan.

General Instructions for Submitting the R D S Application

The R D S application has been designed by the Centers for Medicare & Medicaid Services (CMS) to assist in the efficient administration of the R D S program in compliance with federal regulatory requirements at 42 C.F.R. Subpart R. The R D S program will be administered in a paperless environment via the secure R D S website. Plan Sponsors must submit this application to participate in the R D S program. The following is an overview of the application process:

1. The Account Manager (described in Part I) must go to the R D S website at <http://rds.cms.hhs.gov> to establish a Plan Sponsor account (if one does not already exist).
2. The Account Manager will be notified when a new Plan Sponsor Account is established.
3. The Account Manager or Authorized Representative may start a new application and will receive an application identification number.
4. The Account Manager, Authorized Representative, or Designee(s) must complete ALL parts of the application. However, Part III (Attestation of Actuarial Equivalence) must be completed by a qualified actuary or actuaries. Part VII must be signed by the Plan Sponsor's Authorized Representative.
5. The completed application is submitted electronically via the R D S website.
6. Plan Sponsors will be notified electronically about the status of their application.

Only one R D S application can be submitted for each qualified retiree prescription drug plan for which the Plan Sponsor is seeking the subsidy. The application must be completed in its entirety in order to participate in the R D S program. Omission of any required information may delay the processing of your request.

Deadlines for Submitting

For plan years ending in 2006, R D S applications **must be submitted on or before September 30, 2005**. For subsequent years, applications must be submitted at least 90 days prior to the start of the plan year. Plan Sponsors may request a 30 day extension for submitting their R D S application. This extension must be requested online prior to the filing deadline.

Where to go for more information

Visit the R D S website at <http://rds.cms.hhs.gov> for detailed information on the R D S program, including CMS guidance and Frequently Asked Questions (F A Qs). Additionally, you may contact the R D S customer service center at (877) R D S-HELP, or (877) 737-4357 (TTY for the hearing impaired: (877) R D S-TTY0 or (877) 737-8890) for further assistance.

NOTE: The R D S Application will be submitted online and not in hard copy. Only sections relevant to the applicant will be displayed online. Some sections of the application that are present in this Notice may not actually be presented at the time the application is being completed. Each section of the online application form contains links to instructions and other helpful guidance to assist you in completing the application.

Complete the items in Parts I through VIII. All fields are required unless designated as "optional". The following are specific instructions for each Part. Certain items will be explained with greater detail.

PART I. General Contact Information

A. Plan Sponsor Information

Complete the required information in items 1-9 for the Plan Sponsor Information.

#3 – When completing this application online, this field will be pre-populated with the number used when the Plan Sponsor R D S ID was requested.

#7 - Plan Sponsor's FAX number is an optional field.

#8 – Company address must be the address associated with the E I N.

#9 - Plan Sponsor website address is an optional field.

B. Authorized Representative

An Authorized Representative is an individual to whom the Plan Sponsor has granted the legal authority to bind the Sponsor to the terms of the Plan Sponsor Agreement in the R D S application. Examples of the Authorized Representative include the Sponsor's general partner, C F O, C E O, president, Human Resource Director, or an individual who holds a position similar status and authority within the Sponsor's organization. Only one individual at a time can serve in the role of Authorized Representative.

An Authorized Representative of the requesting Sponsor must sign the completed application and certify that the information contained in the application is true and accurate to the best of the Sponsor's knowledge and belief. (42 C.F.R. 423.884(c)(4)).

Complete the required information in items 1-9 for the Authorized Representative. Certain data elements in this section may be pre-populated based on information provided at the time the Account Manager requested a Plan Sponsor ID.

#7 – Authorized Representative's FAX is optional.

#9 - NOTE: The R D S application process is role-based. Only certain individuals at the Plan Sponsor may be authorized to view Protected Health Information (P H I) under the Health Insurance Portability and Accountability Act (HIPAA). Indicate whether the Authorized Representative is authorized to view HIPAA P H I. The answer will affect which sections on the R D S application that the Authorized Representative may access. The Authorized Representative must answer this question each time s/he attempts to access a section of the R D S Application that contains HIPAA P H I.

C. Account Manager

The Account Manager is an individual that is authorized to begin the application process on behalf of the Plan Sponsor. An Account Manager may be an employee of the Plan Sponsor, or an individual with whom the Sponsor has an arrangement to assist with the application process. This individual has full access rights to the R D S application. The Account Manager has the authority to assign an Authorized Representative, Actuaries, Benefit Option Administrators, and Application Designees. Although an Account Manager has the ability to designate a replacement Account Manager, there can be only one Account Manager per R D S application at a time. In addition, once designated as Account Manager this individual will have to serve

in this role across applications (i.e. Individual cannot serve as Account Manager for one application and as a Designee for another application.)

Complete the required information in items 1-9 for the Account Manager Information. Certain data elements in this section may be pre-populated based on information provided at the time the Account Manager requested a Plan Sponsor ID.

#7 - The Account Manager's FAX is optional.

#9 - NOTE: The R D S application process is role-based. Only certain individuals at the Plan Sponsor may be authorized to view Protected Health Information (P H I) under the Health Insurance Portability and Accountability Act (HIPAA). Indicate whether the Account Manager is authorized to view HIPAA P H I. The answer will affect which sections on the R D S application that the Account Manager may access. The Account Manager must answer this question each time s/he attempts to access a section of the R D S Application that contains HIPAA P H I.

D. Application Designee(s)

A "Designee(s)" is any individual chosen by either the Authorized Representative or Account Manager to assist with the completion of the R D S application, data submission, and payment request process. The Designee(s) is only able to perform functions that have been delegated by the Authorized Representative or Account Manager.

Complete the required information in items a-o for the Application Designee Information.

Item "g" - Designee's FAX number is optional.

Item "i" - NOTE: The R D S application process is role-based. Only certain individuals at the Plan Sponsor may be authorized to view Protected Health Information (P H I) under the Health Insurance Portability and Accountability Act (HIPAA). Indicate whether the Authorized Representative is authorized to view HIPAA P H I. The answer will affect with sections of the R D S application that the Designee(s) may access. The Designee must answer this question each time s/he attempts to access a section of the R D S Application that contains HIPAA P H I.

If you need to add additional designees, follow the instructions in the online application.

NOTE: While an affirmative answer to the HIPAA P H I question is required by at least one individual assigned to completing the application, an affirmative answer by all individuals is not a prerequisite to approval of the application.

PART II. Plan Information

A. Plan Information

Complete the required information in items 1-3 for the prescription drug plan for which you are requesting R D S payments.

Item #3 - For information about the actuarial equivalence tests, including the ability to combine options under the Net Test, see 42 C.F.R. 423.884(d)(5) and any other guidance provided by CMS. Links to this information can be found at <http://rds.cms.hhs.gov>.

B. Benefit Option(s) Provided Under This Plan

Complete the required information in items a-p for each benefit option in the plan for which you are requesting the R D S payment.

Item "b" – Unique Benefit Option Identifier is required to uniquely identify each benefit option under the plan. If the R X Group Number uniquely identifies each option under the plan, then that number should be used. If the R X Group Number does not uniquely identify each benefit option, then the Plan Sponsor must assign an identifier to each option. Sponsors may use existing internal identifiers, or can develop one specifically for purposes of completing the R D S application.

Item "k" - FAX number is optional.

If you need to add benefit options, follow the instructions in the online application.

C. Contact Information for the Actuary Attesting to the Net Value of the Combined Benefit Options

You will only be prompted to complete this section if you answered "Yes" to question 3 in Part II(A). Complete the required information in items 1-7 for the Actuary for the Net Value.

6 – Attesting Actuary's FAX number is optional.

PART III. Attestation of Actuarial Equivalence

For Plan Sponsors that are combining benefit options, a Qualified Actuary must attest to the Gross Value of each benefit option (see Part III(A)(i)). In addition, a Qualified Actuary must attest to the Net Value of the combined options (see Part III(A)(ii)).

For Plan Sponsors that are NOT combining benefit options, a Qualified Actuary must attest to both the Gross and Net Value of each option (see Part (B)).

If you answered "Yes" to question 3 in Part II(A), then a Qualified Actuary (or Qualified Actuaries) must complete Part III(A). If you answered "No" to question 3 in Part II(A) then a Qualified Actuary must only complete Part III(B) for each benefit option.

NOTE: When signing onto the R D S website Actuaries will be presented with a list of Application and benefit options for which they've been designated by the Plan Sponsor as the Attesting Actuary.

A. Actuarial Attestations Used When Benefit Options are Combined

(A)(i). Actuarial Attestation for the Gross Value Test

The Qualified Actuary(s) who is listed as a contact in section II(B) of this application must read and attest to the statement in section III(A)(i). A Qualified Actuary(s) must attest to the Gross Value of each benefit option(s) by providing an electronic signature.

(A)(ii). Actuarial Attestation for the Net Value Test

The Qualified Actuary who is listed as a contact in section II(C) of this application must read the attestation statement in section III(A)(ii) of this application. A Qualified Actuary must attest to the Net Value of the combined option(s) by providing an electronic signature.

B. Actuarial Attestation for the Gross Value and Net Value Tests When the Benefit Options are Not Combined

Each Qualified Actuary listed in Part II(B) for a benefit option must attest to the Gross Value and Net Value of the benefit option(s) for which they are listed. Each Qualified Actuary must attest by providing an electronic signature.

PART IV. Electronic Funds Transfer (EFT) Information

All retiree drug subsidies will be paid via electronic funds transfer. In order to receive payments, all information in this section must be provided.

Please provide the required information for items 1-9 for the Plan Sponsor's Bank.

PART V. Payment Frequency

42 C.F.R. 423.888(b)(1)(i) through (iii) provides Plan Sponsors the option to elect the frequency with which to receive payments. Please elect in this section of the application the frequency with which the Plan Sponsor wants to receive the subsidy payment. NOTE: The payment frequency cannot be changed mid-year.

PART VI. Retiree List Submission**A. Retiree List File Submission Method**

Plan Sponsors must submit a list of proposed qualifying covered retirees with the application. There are three methods available to plan sponsors to submit their list of retirees to the R D S Center. These methods include:

- 1) Hypertext Transfer Protocol Secure (HTTPS) to the R D S Center
- 2) Plan Sponsor Mainframe to R D S Center Mainframe (NOTE: If you elect this option please provide the necessary information in 2a – 2c so a representative from the R D S Center can contact the Plan Sponsor Technical Contact.)
- 3) Voluntary Data Sharing Agreements (VDSA) via the Coordination of Benefits (COB) Contractor

For specific step-by-step instructions for each submission method, please visit the R D S Center website at [http://R D S.cms.hhs.gov](http://RDS.cms.hhs.gov).

B. Retiree List

Plan Sponsors must submit an electronic list of the retirees for whom they are seeking subsidy payments. For each retiree the following data elements must be provided:

- Application ID (assigned to you by the R D S Center)
- Unique Benefit Option Identifier – required to uniquely identify each benefit option under the plan. If the R X Group Number uniquely identifies each option under the plan, then that number should be used. If the R X Group Number does not uniquely identify each benefit option, then the Plan Sponsor must assign an identifier (alpha or numeric) to each option. Sponsors may use existing internal identifiers, or can develop one specifically for purposes of completing the R D S application.
- Effective Date – This should either be the first day of the Plan Year, or the first date of coverage for the Retiree under the Plan, whichever is later.
- Termination Date – The last date of coverage for the Retiree under the Plan, if known. If unknown, leave it blank.
- First name
- Last name
- Middle initial (optional)
- Social Security Number (S S N) – This field may be left blank if the Medicare Health Insurance Claim Number (HICN) is known. However, please provide the S S N and HICN if both are known to ensure the most accurate data match.
- Medicare Health Insurance Claim Number (HICN) – This field may be left blank if the Social Security Number (S S N) is known. However, please provide the S S N and HICN if both are known to ensure the most accurate data match.
- Date of Birth
- Gender
- Relationship to the Retiree (self, spouse, dependent)
- Type of record (add, update, delete)

For instructions and information on file specifications, please go to the R D S website at [http://R D S.cms.hhs.gov](http://RDS.cms.hhs.gov).

PART VII. Plan Sponsor Agreement and Electronic Signature

The Authorized Representative of the Plan Sponsor must indicate acceptance of the terms of this Plan Sponsor Agreement by providing an electronic signature in Part VIII.

Part VIII. Plan Sponsor Electronic Signature

To authorize this R D S Application, the Authorized Representative of the Plan Sponsor must provide his/her electronic signature.